

# HOUSE . . . . . No. 2439

By Mr. Marzilli of Arlington, petition of J. James Marzilli, Jr., for legislation to provide an income tax credit for the rehabilitation of historic structures. Revenue.

## The Commonwealth of Massachusetts

In the Year Two Thousand and Five.

AN ACT PROVIDING A CREDIT AGAINST INCOME TAX FOR THE REHABILITATION OF HISTORIC STRUCTURES OR FOR THE REHABILITATED HISTORIC STRUCTURES IN CERTAIN INSTANCES.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

- 1     SECTION 1. Section 6 of chapter 62 of the General Laws, as  
2     appearing in the 2002 Official Edition, is hereby amended by  
3     adding at the end thereof the following new subsection:—  
4     (1) As used in this subsection, the following words shall have  
5     the following meanings:—  
6     (a) “Qualified historic structure” means any building, and its  
7     structural components, located within the Commonwealth of  
8     Massachusetts that is individually listed on the National Register  
9     of Historic Places or is a contributing building within a district  
10    that is listed on the National Register of Historic Places or which  
11    has been determined by the Massachusetts historical commission  
12    to be eligible for listing on the National Register of Historic  
13    Places and that:  
14    (i) has been substantially rehabilitated, and  
15    (ii) which or any portion of which is owned, in whole or in  
16    part, by the taxpayer;  
17    (b) “Qualified rehabilitation expenditure” means any amount  
18    properly chargeable to a capital account and, in the case of a tax-  
19    payer claiming a commercial credit, is of a character subject to  
20    federal depreciation allowance under the Internal Revenue Code,  
21    incurred in connection with the certified rehabilitation of a quali-  
22    fied historic structure, provided that such term shall not include  
23    any personal property; or

- 24 (i) the cost of acquiring any building or interest thereon, or  
25 (ii) any expenditure excluded under clauses (ii) and (iii) of  
26 section 47(c)(2)(b) of the Internal Revenue Code;
- 27 (c) “Certified rehabilitation” shall mean the rehabilitation of a  
28 qualified historic structure that has been approved and certified as  
29 being consistent with the standards established by the Secretary of  
30 the United States Department of the Interior for rehabilitation of  
31 historic properties and by the chair of the Massachusetts historical  
32 commission;
- 33 (d) “Substantial rehabilitation” and “Substantially rehabili-  
34 tated” shall mean that the qualified rehabilitation expenditures of  
35 the building during the 60 month period selected by the taxpayer  
36 ending with or within the taxable year exceed \_\_ percent of the  
37 taxpayer’s adjusted basis in such building and its structural com-  
38 ponents as of the beginning of such period. In the case of any  
39 rehabilitation that may reasonably be expected to be completed in  
40 phases set forth in architectural plans and specifications com-  
41 pleted before the rehabilitation begins, the applicable period  
42 referred to in this paragraph shall be \_\_\_\_ months;
- 43 (e) “Residential credit” shall mean the tax credit allowable  
44 under subparagraph 2(a)(i) of this section;
- 45 (f) “Commercial credit” shall mean the tax credit allowable  
46 under subparagraph 2(a)(ii) of this section;
- 47 (2) Historic Rehabilitation Tax Credit. (a) Any person, firm,  
48 partnership, trust, estate, limited liability company, corporation or  
49 other business entity that incurs qualified rehabilitation expendi-  
50 tures shall be allowed a credit, to be computed as hereinafter pro-  
51 vided, against the tax imposed by this chapter. The amount of the  
52 credit shall be equal to 52 percent of the qualified rehabilitation  
53 expenditures made by such taxpayer with respect to a qualified  
54 historic structure, and may only be taken by the taxpayer upon  
55 completion of the rehabilitation work and approval of such work  
56 as provided for in this section. The credit may be a residential  
57 credit or a commercial credit, as follows:
- 58 (i) With respect to any residence of a taxpayer, the credit  
59 allowable under this section shall not exceed 50,000 dollars or, in  
60 the case of a married individual filing separate returns the amount  
61 of such credit shall be divided between them equally or in such  
62 manner as they may both elect. If a taxpayer incurs qualified

63 rehabilitation expenditures in relation to more than one residence  
64 in the same year, the total amount of the credit allowed under  
65 paragraph one of this section for all expenditures shall not exceed  
66 50,000 dollars.

67 (ii) With respect to any non-residential property of a taxpayer,  
68 the credit allowable under this section shall be allowed for the tax-  
69 able year in which the substantially rehabilitated property is  
70 placed in service, that is, when occupancy of the entire structure  
71 or some identifiable portion of the structure is permitted.

72 (b) If a commercial credit allowable for any taxable year  
73 exceeds the taxpayer's tax for the year in which the substantially  
74 rehabilitated property is placed in service, the amount that  
75 exceeds the taxpayer's tax liability may be carried forward for  
76 credit against the taxes imposed for the succeeding 5 years, or  
77 until the full credit is used, whichever occurs first. Commercial  
78 credits allowed to a partnership, a limited liability company taxed  
79 as a partnership or multiple owners of property shall be passed  
80 through to the persons designated as partners, members or owners,  
81 respectively, pro rata or pursuant to an executed agreement among  
82 such persons designated as partners, member or owners docu-  
83 menting an alternative distribution method without regard to their  
84 sharing of other tax or economic attributes of such entity.

85 (c) Taxpayers eligible for a commercial credit may assign,  
86 transfer or convey the credits, in whole or in part, by sale or other-  
87 wise to any individual or entity, and such transferee shall be enti-  
88 tled to offset income imposed by this chapter with the same effect  
89 as if such transferee had incurred the qualified rehabilitation  
90 expenditures. The assignor shall perfect such transfer by noti-  
91 fying the department of revenue in writing within \_\_ days  
92 following the effective date of said transfer and shall provide any  
93 information as may be required by the department of revenue to  
94 administer and carry out the provisions of this section.

95 (3) Certified Rehabilitation.

96 (a) A certified rehabilitation shall require:

97 (i) an initial certification that the structure meets the definition  
98 of qualified historic structure;

99 (ii) a second certification, to be issued prior to construction,  
100 certifying that when completed, the proposed rehabilitation work  
101 will meet the standards required for a certified rehabilitation; and

102 (iii) a final certification, issued when construction is com-  
103 pleted, certifying that the work was completed as proposed and  
104 that the costs are consistent with the work completed. Such final  
105 certification shall be acceptable as proof that the expenditures  
106 related to such construction qualify as qualified rehabilitation  
107 expenditures for purposes of the credit allowed under this section.

108 (b) A rehabilitation shall not be treated as complete before the  
109 date of the certification referred to in subparagraph (a)(iii) of this  
110 paragraph.

111 (4) Leased Property. A taxpayer who leases his residence shall  
112 be treated as the owner thereof if the remaining term of the lease  
113 as of the date determined under regulations prescribed by the  
114 commissioner of the department of revenue is not less than such  
115 minimum period as the regulations require.

116 (5) Condominiums. The percentage of the total expenditures  
117 made in the rehabilitation of the exterior of a building containing  
118 condominium dwelling units shall be attributed to each such unit  
119 within the building, based upon the percentage of space each unit  
120 occupies within the building, and in the case of a building where  
121 less than the entire building is used as a residence of the taxpayer,  
122 only the portion of the total expenditures made in the rehabilita-  
123 tion of the building that is attributable to the residence of the tax-  
124 payer shall be treated as qualified rehabilitation expenditures.

125 (6) When Qualified Rehabilitation Expenditures Made. For  
126 any qualified historic structure other than a qualified purchased  
127 historic home, qualified rehabilitation expenditures shall be  
128 treated for purposes of this section as made:

129 (a) on the date substantial rehabilitation is completed, or

130 (b) to the extent provided by the commissioner of the depart-  
131 ment of revenue by regulation, when such expenditures are prop-  
132 erly chargeable to a capital account. Regulations under this  
133 paragraph shall include a rule similar to the rule under section  
134 50(a)(2) of the Internal Revenue Code relating to recapture if  
135 property ceases to qualify for progress expenditures.

136 (7) Qualified Purchased Historic Homes. (a) In the case of a  
137 qualified purchased historic home, as defined below, the taxpayer  
138 shall be treated as having made, on the date of purchase, the quali-  
139 fied rehabilitation expenditures made by the seller of such home.  
140 For purposes of this paragraph, expenditures made by the seller

141 shall be deemed qualified rehabilitation expenditures if such  
142 expenditures, if made by the purchaser, would have so qualified.

143 (b) A “qualified purchased historic home” means any substan-  
144 tially rehabilitated qualified historic structure purchased by the  
145 taxpayer if:

146 (i) the taxpayer is the first purchaser of such structure after the  
147 date rehabilitation is completed, and the purchase occurs within  
148 five years after such date;

149 (ii) the structure or a portion thereof will, within a reasonable  
150 period, be the residence of the taxpayer;

151 (iii) no credit was allowed to the seller under this paragraph  
152 with respect to such rehabilitation; and

153 (iv) the taxpayer is furnished with such information as the  
154 commissioner of the department of revenue determines is neces-  
155 sary to determine the credit under this paragraph.

156 (8) Historic Rehabilitation Mortgage Credit.

157 (a) The taxpayer may, in lieu of the credit otherwise allowable  
158 under this section, elect to receive a Historic Rehabilitation Mort-  
159 gage Credit Certificate. An election under this paragraph shall be  
160 made:

161 (i) in the case of a qualified purchased historic home, at the  
162 time of purchase; or

163 (ii) in any other case, at the time rehabilitation is completed.

164 (b) For purposes of this paragraph, the term “Historic Rehabili-  
165 tation Mortgage Credit Certificate” means a certificate:

166 (i) issued to the taxpayer, in accordance with procedures pre-  
167 scribed by the commissioner of the department of revenue with  
168 respect to a certified rehabilitation;

169 (ii) the face amount of which shall be equal to the credit which  
170 would, but for this paragraph, be allowable under this chapter to  
171 the taxpayer with respect to such rehabilitation;

172 (iii) which may only be transferred by the taxpayer to a lending  
173 institution including a non-depository institution in connection  
174 with a loan:

175 (A) that is secured by the building with respect to which the  
176 credit relates, and

177 (B) the proceeds of which may not be used for any purpose  
178 other than the acquisition or rehabilitation of such building; and

179 (iv) in exchange for which such lending institution provides  
180 the taxpayer,

181 (A) a reduction determined as provided in such regulations in  
182 the rate of interest on the loan, or

183 (B) if the taxpayer so elects with respect to a specified amount  
184 of the face amount of such a certificate relating to a building:

185 (1) which is a targeted area residence (within the meaning of  
186 section 143(j)(1) of the Internal Revenue Code), or

187 (2) which is located in a Federal Enterprise or Empowerment  
188 Zone, a payment which is substantially equivalent to such speci-  
189 fied amount to be used to reduce the taxpayer's cost of purchasing  
190 the building (and only the remainder of such face amount shall be  
191 taken into account under item (A) of this clause).

192 (c) The amount of the credit specified in the certificate shall be  
193 allowed to the lender only to offset the tax of such lender due  
194 under the provisions of this chapter. The lender may carry for-  
195 ward all unused amounts under this paragraph until exhausted.

196 (9) Recapture. (a) If, before the end of the five-year period  
197 beginning on the date on which the rehabilitation of the building  
198 is completed or, if the building is a qualified purchased historic  
199 home, the date of purchase of such building by the taxpayer:

200 (i) the taxpayer disposes of such taxpayer's interest in such  
201 building, or

202 (ii) in the case of a residential credit, such building ceases to  
203 be used as a residence of the taxpayer, then the taxpayer's tax  
204 imposed by this article for the taxable year in which such disposi-  
205 tion or cessation occurs shall be increased by the recapture per-  
206 centage of the credit allowed under this section for all prior  
207 taxable years with respect to such rehabilitation.

208 (b) For purposes of subparagraph (a) of this paragraph, the  
209 recapture percentage shall be the product of the amount of credit  
210 claimed by the taxpayer multiplied by a ratio, the numerator of  
211 which is the number of months the building is owned by the tax-  
212 payer or, in the case of a homeowner, used as the taxpayer's resi-  
213 dence and the denominator of which is sixty.

214 (10) Effect on Basis of Building. For purposes of this para-  
215 graph, if a credit is allowed under this section for any expenditure  
216 with respect to any property, including any purchase under para-  
217 graph seven of this section and any transfer under paragraph eight  
218 of this section, the increase in the basis of such property which  
219 would, but for this paragraph, result from such expenditure shall  
220 be reduced by the amount of the credit so allowed.

221 (11) Regulations; Fee. The commissioner of the department of  
222 banks and the chair of the Massachusetts historical commission  
223 shall prescribe such regulations as may be appropriate to carry out  
224 the purposes of this section, including regulations where, in the  
225 case of a residential credit, less than all of a building is used as a  
226 residence and where more than one taxpayer uses the same  
227 dwelling unit as his residence, and regulations governing the  
228 manner by which the reduction in interest rate or payment pro-  
229 vided by a lending institution pursuant to subparagraph (8)(b)(iv)  
230 of this section shall be discounted to reflect the amount by which  
231 such lending institution's federal income tax liability is increased  
232 as a result of its use of the Historic Rehabilitation Mortgage  
233 Credit Certificate to offset state taxes under this section. Such  
234 regulations may also include the imposition of a fee for the pro-  
235 cessing of applications for the certification of any rehabilitation  
236 under this section, provided that the amount of such fee is used  
237 only to defray expenses associated with the processing of such  
238 applications.

1 SECTION 2. Chapter 63 of the General Laws, as appearing in  
2 the 2000 Official Edition, is hereby amended by adding after  
3 section 31H the following new subsection:—

4 31I (1) As used in this subsection, the following words shall  
5 have the following meanings:—

6 (a) "Qualified historic structure" means any building, and its  
7 structural components, located within the Commonwealth of  
8 Massachusetts that is individually listed on the National Register  
9 of Historic Places or is a contributing building within a district  
10 that is listed on the National Register of Historic Places or which  
11 has been determined by the Massachusetts historical commission  
12 to be eligible for listing on the National Register of Historic  
13 Places and that

14 (i) has been substantially rehabilitated, and

15 (ii) which or any portion of which is owned, in whole or in  
16 part, by the taxpayer;

17 (b) "Qualified rehabilitation expenditure" means any amount  
18 properly chargeable to a capital account and, in the case of a tax-  
19 payer claiming a commercial credit, is of a character subject to  
20 federal depreciation allowance under the Internal Revenue Code,

21 incurred in connection with the certified rehabilitation of a quali-  
22 fied historic structure, provided that such term shall not include  
23 any personal property; or

24 (i) the cost of acquiring any building or interest thereon, or

25 (ii) any expenditure excluded under clauses (ii) and (iii) of  
26 section 47(c)(2)(b) of the Internal Revenue Code;

27 (c) “Certified rehabilitation” shall mean the rehabilitation of a  
28 qualified historic structure that has been approved and certified as  
29 being consistent with the standards established by the Secretary of  
30 the United States Department of the Interior for rehabilitation of  
31 historic properties and by the chair of the Massachusetts historical  
32 commission;

33 (d) “Substantial rehabilitation” and “Substantially rehabili-  
34 tated” shall mean that the qualified rehabilitation expenditures of  
35 the building during the 60 month period selected by the taxpayer  
36 ending with or within the taxable year exceed \_\_ percent of the  
37 taxpayer’s adjusted basis in such building and its structural com-  
38 ponents as of the beginning of such period. In the case of any  
39 rehabilitation that may reasonably be expected to be completed in  
40 phases set forth in architectural plans and specifications com-  
41 pleted before the rehabilitation begins, the applicable period  
42 referred to in this paragraph shall be \_\_\_\_ months;

43 (e) “Residential credit” shall mean the tax credit allowable  
44 under subparagraph 2(a)(i) of this section;

45 (f) “Commercial credit” shall mean the tax credit allowable  
46 under subparagraph 2(a)(ii) of this section;

47 (2) Historic Rehabilitation Tax Credit. (a) Any person, firm,  
48 partnership, trust, estate, limited liability company, corporation or  
49 other business entity that incurs qualified rehabilitation expendi-  
50 tures shall be allowed a credit, to be computed as hereinafter pro-  
51 vided, against the tax imposed by this chapter. The amount of the  
52 credit shall be equal to 25 percent of the qualified rehabilitation  
53 expenditures made by such taxpayer with respect to a qualified  
54 historic structure, and may only be taken by the taxpayer upon  
55 completion of the rehabilitation work and approval of such work  
56 as provided for in this section. The credit may be a residential  
57 credit or a commercial credit, as follows:

58 (i) With respect to any residence of a taxpayer, the credit  
59 allowable under this section shall not exceed 50,000 dollars or, in

60 the case of a married individual filing separate returns the amount  
61 of such credit shall be divided between them equally or in such  
62 manner as they may both elect. If a taxpayer incurs qualified  
63 rehabilitation expenditures in relation to more than one residence  
64 in the same year, the total amount of the credit allowed under  
65 paragraph one of this section for all expenditures shall not exceed  
66 50,000 dollars.

67 (ii) With respect to any non-residential property of a taxpayer,  
68 the credit allowable under this section shall be allowed for the tax-  
69 able year in which the substantially rehabilitated property is  
70 placed in service, that is, when occupancy of the entire structure  
71 or some identifiable portion of the structure is permitted.

72 (b) If a commercial credit allowable for any taxable year  
73 exceeds the taxpayer's tax for the year in which the substantially  
74 rehabilitated property is placed in service, the amount that  
75 exceeds the taxpayer's tax liability may be carried forward for  
76 credit against the taxes imposed for the succeeding five years, or  
77 until the full credit is used, whichever occurs first. Commercial  
78 credits allowed to a partnership, a limited liability company taxed  
79 as a partnership or multiple owners of property shall be passed  
80 through to the persons designated as partners, members or owners,  
81 respectively, pro rata or pursuant to an executed agreement among  
82 such persons designated as partners, member or owners docu-  
83 menting an alternative distribution method without regard to their  
84 sharing of other tax or economic attributes of such entity.

85 (c) Taxpayers eligible for a commercial credit may assign,  
86 transfer or convey the credits, in whole or in part, by sale or other-  
87 wise to any individual or entity, and such transferee shall be enti-  
88 tled to offset income imposed by this chapter with the same effect  
89 as if such transferee had incurred the qualified rehabilitation  
90 expenditures. The assignor shall perfect such transfer by noti-  
91 fying the department of revenue in writing within \_\_ days  
92 following the effective date of said transfer and shall provide any  
93 information as may be required by the department of revenue to  
94 administer and carry out the provisions of this section.

95 (3) Certified Rehabilitation. (a) A certified rehabilitation shall  
96 require:

97 (i) an initial certification that the structure meets the definition  
98 of qualified historic structure;

99 (ii) a second certification, to be issued prior to construction,  
100 certifying that when completed, the proposed rehabilitation work  
101 will meet the standards required for a certified rehabilitation; and

102 (iii) a final certification, issued when construction is com-  
103 pleted, certifying that the work was completed as proposed and  
104 that the costs are consistent with the work completed. Such final  
105 certification shall be acceptable as proof that the expenditures  
106 related to such construction qualify as qualified rehabilitation  
107 expenditures for purposes of the credit allowed under this section.

108 (b) A rehabilitation shall not be treated as complete before the  
109 date of the certification referred to in subparagraph (a)(iii) of this  
110 paragraph.

111 (4) Leased Property. A taxpayer who leases his residence shall  
112 be treated as the owner thereof if the remaining term of the lease  
113 as of the date determined under regulations prescribed by the  
114 commissioner of the department of revenue is not less than such  
115 minimum period as the regulations require.

116 (5) Condominiums. The percentage of the total expenditures  
117 made in the rehabilitation of the exterior of a building containing  
118 condominium dwelling units shall be attributed to each such unit  
119 within the building, based upon the percentage of space each unit  
120 occupies within the building, and in the case of a building where  
121 less than the entire building is used as a residence of the taxpayer,  
122 only the portion of the total expenditures made in the rehabilita-  
123 tion of the building that is attributable to the residence of the tax-  
124 payer shall be treated as qualified rehabilitation expenditures.

125 (6) When Qualified Rehabilitation Expenditures Made. For any  
126 qualified historic structure other than a qualified purchased his-  
127 toric home, qualified rehabilitation expenditures shall be treated  
128 for purposes of this section as made:

129 (a) on the date substantial rehabilitation is completed, or

130 (b) to the extent provided by the commissioner of the depart-  
131 ment of revenue by regulation, when such expenditures are prop-  
132 erly chargeable to a capital account. Regulations under this  
133 paragraph shall include a rule similar to the rule under  
134 section 50(a)(2) of the Internal Revenue Code relating to recap-  
135 ture if property ceases to qualify for progress expenditures.

136 (7) Qualified Purchased Historic Homes. (a) In the case of a  
137 qualified purchased historic home, as defined below, the taxpayer

138 shall be treated as having made, on the date of purchase, the quali-  
139 fied rehabilitation expenditures made by the seller of such home.  
140 For purposes of this paragraph, expenditures made by the seller  
141 shall be deemed qualified rehabilitation expenditures if such  
142 expenditures, if made by the purchaser, would have so qualified.

143 (b) “Qualified purchased historic home” means any substan-  
144 tially rehabilitated qualified historic structure purchased by the  
145 taxpayer if:

146 (i) the taxpayer is the first purchaser of such structure after the  
147 date rehabilitation is completed, and the purchase occurs within  
148 five years after such date;

149 (ii) the structure or a portion thereof will, within a reasonable  
150 period, be the residence of the taxpayer;

151 (iii) no credit was allowed to the seller under this paragraph  
152 with respect to such rehabilitation; and

153 (iv) the taxpayer is furnished with such information as the  
154 commissioner of the department of revenue determines is neces-  
155 sary to determine the credit under this paragraph.

156 (8) Historic Rehabilitation Mortgage Credit. (a) The taxpayer  
157 may, in lieu of the credit otherwise allowable under this section,  
158 elect to receive a Historic Rehabilitation Mortgage Credit Certifi-  
159 cate. An election under this paragraph shall be made:

160 (i) in the case of a qualified purchased historic home, at the  
161 time of purchase; or

162 (ii) in any other case, at the time rehabilitation is completed.

163 (b) For purposes of this paragraph, the term “Historic Rehabili-  
164 tation Mortgage Credit Certificate” means a certificate:

165 (i) issued to the taxpayer, in accordance with procedures pre-  
166 scribed by the commissioner of the department of revenue with  
167 respect to a certified rehabilitation;

168 (ii) the face amount of which shall be equal to the credit which  
169 would, but for this paragraph, be allowable under this chapter to  
170 the taxpayer with respect to such rehabilitation;

171 (iii) which may only be transferred by the taxpayer to a lending  
172 institution including a non-depository institution in connection  
173 with a loan:

174 (A) that is secured by the building with respect to which the  
175 credit relates, and

176 (B) the proceeds of which may not be used for any purpose  
177 other than the acquisition or rehabilitation of such building; and

178 (iv) in exchange for which such lending institution provides  
179 the taxpayer,

180 (A) a reduction determined as provided in such regulations in  
181 the rate of interest on the loan, or

182 (B) if the taxpayer so elects with respect to a specified amount  
183 of the face amount of such a certificate relating to a building:

184 (1) which is a targeted area residence (within the meaning of  
185 section 143(j)(1) of the Internal Revenue Code), or

186 (2) which is located in a Federal Enterprise or Empowerment  
187 Zone, a payment which is substantially equivalent to such speci-  
188 fied amount to be used to reduce the taxpayer's cost of purchasing  
189 the building (and only the remainder of such face amount shall be  
190 taken into account under item (A) of this clause).

191 (c) The amount of the credit specified in the certificate shall be  
192 allowed to the lender only to offset the tax of such lender due  
193 under the provisions of this chapter. The lender may carry for-  
194 ward all unused amounts under this paragraph until exhausted.

195 (9) Recapture. (a) If, before the end of the five-year period  
196 beginning on the date on which the rehabilitation of the building  
197 is completed or, if the building is a qualified purchased historic  
198 home, the date of purchase of such building by the taxpayer:

199 (i) the taxpayer disposes of such taxpayer's interest in such  
200 building, or

201 (ii) in the case of a residential credit, such building ceases to  
202 be used as a residence of the taxpayer, then the taxpayer's tax  
203 imposed by this article for the taxable year in which such disposi-  
204 tion or cessation occurs shall be increased by the recapture per-  
205 centage of the credit allowed under this section for all prior  
206 taxable years with respect to such rehabilitation.

207 (b) For purposes of subparagraph (a) of this paragraph, the  
208 recapture percentage shall be the product of the amount of credit  
209 claimed by the taxpayer multiplied by a ratio, the numerator of  
210 which is the number of months the building is owned by the tax-  
211 payer or, in the case of a homeowner, used as the taxpayer's resi-  
212 dence and the denominator of which is sixty.

213 (10) Effect on Basis of Building. For purposes of this para-  
214 graph, if a credit is allowed under this section for any expenditure  
215 with respect to any property, including any purchase under para-  
216 graph seven of this section and any transfer under paragraph eight

217 of this section, the increase in the basis of such property which  
218 would, but for this paragraph, result from such expenditure shall  
219 be reduced by the amount of the credit so allowed.

220 (11) Regulations; Fee. The commissioner of the department of  
221 banks and the chair of the Massachusetts historical commission  
222 shall prescribe such regulations as may be appropriate to carry out  
223 the purposes of this section, including regulations where, in the  
224 case of a residential credit, less than all of a building is used as a  
225 residence and where more than one taxpayer uses the same  
226 dwelling unit as his residence, and regulations governing the  
227 manner by which the reduction in interest rate or payment pro-  
228 vided by a lending institution pursuant to subparagraph (8)(b)(iv)  
229 of this section shall be discounted to reflect the amount by which  
230 such lending institution's federal income tax liability is increased  
231 as a result of its use of the Historic Rehabilitation Mortgage  
232 Credit Certificate to offset state taxes under this section. Such  
233 regulations may also include the imposition of a fee for the pro-  
234 cessing of applications for the certification of any rehabilitation  
235 under this section, provided that the amount of such fee is used  
236 only to defray expenses associated with the processing of such  
237 applications.

1 SECTION 3. Sections 1 and 2 shall be effective for tax years  
2 beginning on or after January 1, 2005.